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Your Savings Program

More Information? Call 1-888-1SAVEIT

You Do Too Need to Know About Y2K

If computer memory had been a little less expensive several years ago, the Year 2000 concerns would have been little more than a footnote in computer journals. As it stands, the attention, dollars and other resources devoted to detecting, correcting and avoiding the potential problems of the year 2000 will exceed all expectations.

So as Y2K approaches, it's no wonder that you as Savings Program participants are concerned. You want to know whether or not your accounts are vulnerable to inaccuracies caused by the system's transition to the new year.

At Lockheed Martin Energy Systems, Inc. (the Company), we have taken many steps to prepare our people and our systems to meet the challenge and to encourage

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Savings Power-A Key to Financial Security

Welcome to the USEC

Participants!

We are pleased to welcome the USEC participants to our newsletter. The USEC participants may contact their Voice Response Unit and their Customer Service Representatives by calling:

1-877-OUR401K

Or 1-877-687-4015



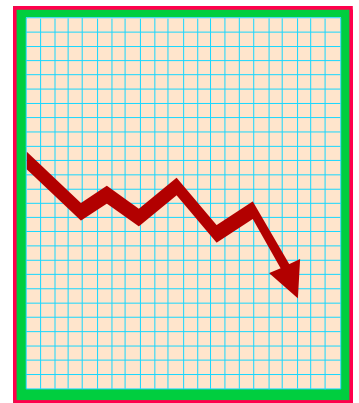


all of those involved in our benefits programs to do the same. We cannot tell you exactly what will happen. We can tell you what we have done. We can tell you how to prepare. We can attempt to allow you to minimize the impact by making you familiar with the problem and by talking about issues that require your attention.

First, what have we done? The Company has spent many hours and many dollars identifying, testing, certifying and in some instances correcting the systems vulnerable to the problem. The extensive work done by the groups and individuals challenged with this task is outlined on the internal and external WEB pages. Secondly, we have asked each of our service providers to respond specifically to inquiries about their degree of preparation, the extent and results of their testing and further have asked them to certify as to the results of tests which, if failed, could result in disruption of service. We are pleased to note that we have no indication that any critical system has gone untested and that all critical systems have been tested for compliance. The documentation of our efforts as they apply to the Pension and Savings

Programs is on file in the Benefits Administration office. Well, you say, that is just fine, but what is going to happen to my Savings Program when the clock turns?

We don't know. We suspect nothing, however, we do not know, no one does. Let's be honest, any part of your investment experience that involves a date is vulnerable. The Savings Program relies on calculations prepared by the payroll system, relies on computations and calculations prepared by the participant record keeping system and heavily relies on data fed to and received from the trust accounting system. All of the processes named above rely on calculations based on the calendar. We have in our hand, or will have in our hand, certifications that these systems have been tested and have been able to do calculations for the new year and date. Every one of our providers is also dependent on their suppliers and providers to afford them the capability of doing their work for us. Each of these providers is further dependent on others. The chain of dependence extends far and wide. Will every device in the hands of every supplier work properly when confronted with the date calculations? Will one failure cause the other systems to hesitate or fail themselves? What will each provider do in the way of contingency planning and action? Does a record keeping problem put your money in jeopardy? Is there something I should be doing to stay away from these problems and potentials?



There are some things you can and should do. Let's talk about your concern that a lock up of the computer system will not allow you to access your funds, and the risk that State Street Bank won't be able to tell you what you have invested. The best defense in such a position is a set of records that would allow you to reconstruct your account balances. Do you have a good system now to document how and where your investments are located? Do you have a good idea of what your current balances are or should be? If there were an error, would you be able to detect it? Your third quarter Savings Program statements along with the confirmation

statements for all transactions processed during the last three months of the year (including your pay stubs) are a good start to having an idea of what your balances should be. Let's get our accounting records in place well before the end of the year.



Next, you have to consider whether or not you should remove your assets from the Savings Program to provide a safeguard against not being able to access your funds when you need them or whether you should make a significant change in your asset allocation to avoid losses in a period of market disruption. Remember that there are restrictions on withdrawals and distributions of your Savings Program funds. See the Employee Handbook or call State Street Bank at the toll free number.

Our Savings Program is a participant directed plan. We cannot and will not advise you on investing your funds. We are sure that each

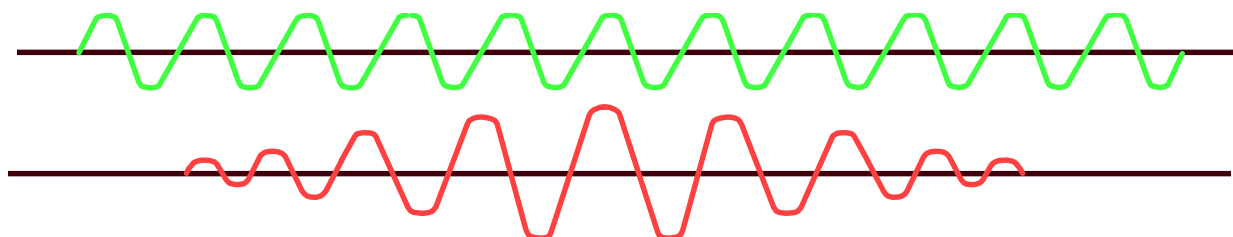
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of you will take all the circumstances into account before making a decision. Only you can properly evaluate the risks and make appropriate decisions. We can point out some of the obvious concerns expressed by professionals in the investment field. Taking your funds out of the plan for a period of time may not be a good solution if you are seeking to insure your funds are safe. There are always the concerns of having funds in your physical possession, such as fire, theft, loss, etc. In addition, taking money out of your accounts may have some truly negative earnings consequences. First, you may lose some earnings while the funds are in transit. Second, you may create a taxable distribution with all the hassle associated with IRS and the payment of taxes. Third, where are you going to place them that is more secure? Each of you will have to make this decision, but we caution you, the institutions involved with your Savings Program are among the best in terms of financial security, stability and quality. Where are you going to find a safer place? Finally, there is question of reacting to general mood of the public and your actions having an effect on the general public. You, by your own behavior, are going to have an impact on your co-workers and friends. If you remove your funds, they are going to conclude that you know something they don't and they may well follow your lead. If every Saving Program participant attempts to withdraw their funds just prior to the end of the year, the impact on normal processing, not the Y2K problem will be felt by all. Any delays in processing due to the enormous volume will further fuel the fires of speculation. Once again, however, these are your funds and you may and should invest them in such a way to meet your objectives.

If you are able to deal with your concerns about the access and physical security of the investments, should you be making decisions about how your funds are allocated? Will the Y2K uncertainties be reflected in the market? Of course they will. How? We don't know? Some indicate that the market has already discounted the impacts and that those who get out of the market will simply be giving away earnings. Others point out that no one has successfully timed the market in all of its ups and downs. When will the departing investors decide to get back in? Another timing question we can't answer. If you are firmly convinced that Y2K will alter economics significantly and for an extended period of time, you may need to examine your asset allocation model. If you consider the Y2K event to be significant but short-lived, reallocation may not be advisable. We all should examine our commitment to savings and our asset allocations. If we find that our objectives have changed, we should adjust our models accordingly. If we don't sense that Y2K will have a lasting impact on our objectives, perhaps we should leave our model alone. You are in charge of your asset allocation.



The bottom-line. You as a participant need to stay informed. You need to maintain your records and you need to fully understand where and how your funds are invested. Is your money better off in your hands or in the hands of a financial institution? That is for each of you to decide. Should you change your asset allocation? If you sense a change in either your needs or a lasting change in the economic environment, consider a change to your model. Information and education have been the keys to your success to date. Keep it up. Given the time frame, we do not anticipate issuing similar comments for the Y3K event.



If you would like to check on the plans of the Company and our Trustee/Record Keeper, check out these WEB pages:

Lockheed Martin Energy Systems: <http://www-internal.ornl.gov/TP/hp-dir/y2k-web-page/y2k.html>

State Street Bank: <http://www.statestreet.com/>

Here is a report on a recent survey of 401(k) Participants

Some 401 (k) Plan Participants Will Monitor Y2K Effects on Account Balances

Most 401(k) plan participants do not expect that Y2K will affect how much they save in their plans or how they invest their plan assets, according to a survey by the Profit Sharing/401(k) Council of America (PSCA). The survey found that 91 % of those surveyed are unconcerned or only moderately concerned about Y2K. Y2K refers to problems that may result from the inability of computer software to correctly recognize the year 2000.

Even though most of the surveyed participants are unconcerned about the effects of Y2K on their accounts, 34% do intend to check their account balances on January 1, 2000, or shortly afterwards. The PSCA noted that if 15 million participants call at once they should be prepared for temporary delays.

Seventy-nine percent of participants with self-directed accounts indicated that Y2K will have no impact on how much they save in their plans, and 75 % said that Y2K will have no impact on how they invest their plan assets.

Six percent of participants that direct their own accounts intend to increase their retirement savings, while only 5% intend to reduce or temporarily stop saving in their plans. The survey also found that 9% intend to increase the percentage of stock in their plans, while only 4% intend to reduce or eliminate their equity investments.

PSCA's survey and other information may be found at www.psc.org.

You finish first with a solid personal financial plan.



**Keep in Touch
Contact Benefits Administration
by Calling M.L. Moore at 423-574-9564
or sending an E-mail to ik5@ornl.gov**